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FOREST INDUSTRIES

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Felling saw versatility increases job productivity

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Lumber output hit record highs in the U.S. and Canada in 1987. Increased domestic demand and booming exports kept prices up. Can lumber continue to stay this strong?

Annual survey ranks top lumber producers

By Mary Lou Corlett

San Francisco, California

Last year's strong economy, relatively high housing starts, booming export markets and high lumber prices resulted in another record year for North American lumber producers.

Output set a new high, the second in as many years. Combined U.S. and Canadian lumber production—hardwood and softwood—was 75.2 billion bd ft, up 9% from 1986's record output of 68.7 billion bd ft.

U.S. softwood production

According to figures from the National Forest Products Assn. (NFPA) softwood lumber production in the U.S. in 1987 was 37.9 billion bd ft, up 7% from 1986. Softwood lumber consumption climbed to 50.3 billion bd ft, up 6% from the year before.

Lumber demand in the U.S. has been at record levels for four years and is expected to stay strong. But although analysts are able to chart the record demand, they are not able to say precisely where it is going.

Housing starts, traditionally the most important variable of lumber consumption, dropped 10% in 1986, yet consumption continued to climb. A strong repair and remodeling market and record export levels reportedly offset the drop in housing starts.

Some analysts wonder if the statistics are correct. Ross Hay-Roe, editor of *Hay-Roe's PaperTree Letter*, has noted that "the estimates of how much lumber goes into repair and remodeling have been pushed to the limits of credibility in the last year or two. New construction seems to admit of more precision in estimating its lumber component, but only because the number of housing starts is taken as fact. But if housing starts have been declining since late 1986, how can lumber demand be increasing?"

He suggests one possible answer: "Maybe the housing-start figures are wrong."

Whatever the reasons, he writes, "the 'domestic disappearance' of lumber has never been so high."

Confusion about hardwood

Whatever mystery surrounds the softwood lumber figures, it is minimal compared to that surrounding hardwood statistics. Hardwood production and consumption figures have been completely—and significantly—revised upward in the past few months.

According to new figures from NFPA, hardwood lumber production was 11 billion bd ft in 1987, up 10% from the revised 1986 figure.

However, until recently NFPA was reporting '86 hardwood production at only 7 billion bd ft.

NFPA has revised all its figures to reflect new estimates of hardwood lumber production developed by the U.S. Forest Service.

Work undertaken about a year and a half ago by Bill Luppold and Gilbert Dempsey at the U.S.F.S. Northeastern Forest Experiment Station, Princeton, W.Va., was based on evidence that the widely used U.S. Department of Commerce production statistics were inaccurate.

Luppold and Dempsey developed new estimates of hardwood lumber production in the central and eastern U.S. from 1965 to 1986. (Very little hardwood lumber is produced outside of these regions.) Their estimates were based on Forest Service timber product output studies, state tax records, and state level sawmill surveys. They came up with figures indicating that hardwood lumber production was higher in 1986 than at any time during the last 20 years.

NFPA used the Forest Service figures to revise its hardwood production

TABLE 1—United States Lumber Production and

	Softwood Lumber Production, By Regions						
Year	Southern Pine	Western Coast	Inland Region	California Redwood	Other Softwood	Total Softwood Production	Total Softwood Consumption
1978	9.231	8.845	10.033	1.902	2.046	32.057	42.640
1979	9.283	8.427	9.780	1.818	2.124	31.432	40.608
1980	8.217	6.815	7.613	1.589	2.012	26.246	33.832
1981	8.415	6.270	7.147	1.452	1.392	24.676	32.064
1982	8.754	5.743	6.681	1.300	1.309	23.787	31.173
1983	10.181	7.934	8.488	1.580	1.543	29.726	39.742
1984	10.674	8.329	8.992	1.664	1.515	31.174	42.857
1985	10.730	8.062	9.276	1.730	1.523	31.321	44.243
1986	11.678	9.412	10.482	2.021	1.680	35.273	47.493
1987	12.437	10.191	11.274	2.202	1.806	37.910	50.299

Figures in recent years subject to revision. Numbers may not add to totals due to rounding.

and consumption figures from 1978 onward (Table 1).

Al Goetzl, NFPA's vice president of economics, explains that he developed 1987's hardwood production figure "based on an heroic assumption that production in '87 was 10% over that of 1986." The consumption figure is based on production plus imports, minus exports.

"We've known for some time that the hardwood statistics have been unreliable," Goetzl said. "The hardwood industry is so dispersed, with so many small operations, that it's extremely difficult to monitor."

The new, higher figures come as no surprise to George Barrett, owner of the *Weekly Hardwood Review* in Charlotte, N.C., and long-time observer of the hardwood sector. In fact, he doesn't think the new figures are high enough. "Hardwood lumber production was more than 12 billion bd ft in 1987," Barrett asserts, adding that in 1988 the sector will produce as much as 13 billion bd ft.

Based on the new figures, hardwood accounts for nearly a quarter of U.S. lumber production.

Forecasts for '88

What are the predictions for U.S. lumber producers in 1988?

With housing expected to remain soft, this should be a "challenging" year for U.S. lumber producers, says H. A. "Bob" Roberts, president of Western Wood Products Assn.

WWPA is projecting 1988 softwood lumber consumption at 49.2 billion bd ft, a drop of 2.2%. This projection is based on estimated housing starts in 1988 being at about the same level as in 1987.

Roberts predicts lumber exports in 1988 should creep above last year's levels of 2.4 billion bd ft, reaching 2.5 billion bd ft.

TABLE 2—Canadian Lumber Production Softwood and Hardwood, 1978-1987 (billion bd ft)

Year	B.C. Coast	B.C. Interior	Total B.C.	East of Rockies	Total Canada
1978	4.803	7.742	12.545	6.432	18.977
1979	4.657	7.861	12.518	6.480	18.998
1980	4.252	7.727	11.980	6.923	18.903
1981	3.458	6.966	10.424	6.473	16.897
1982	3.170	6.939	10.109	5.887	15.996
1983	4.140	8.903	13.043	7.486	20.529
1984	3.903	9.175	13.078	7.901	20.979
1985	3.996	10.007	14.003	8.952	22.955
1986	3.753	9.582	13.335	10.097	23.432
1987	4.674	11.214	15.888	10.385	26.273

Source: Statistics Canada

Canadian production up

In Canada, lumber production was a record 26.273 billion bd ft in 1987, up 12% from '86's level of 23.432 billion (Table 2).

British Columbia's production climbed to nearly 16 billion bd ft, up 19% from 1986, when a prolonged strike by the International Woodworkers of America (IWA) disrupted production for many companies.

There is some question about the effects of the 15% surcharge on Canadian softwood exports to the U.S., legislation which was formally implemented in May 1987.

Although statistics would indicate that the tax hasn't affected the sector much at all, many are warning of gloomier days ahead.

The Canadian Lumbermen's Assn. maintains that effects of the tax were masked in 1987 by unusually good lumber sales, attributed to low interest rates, the drop in the U.S. dollar and high levels of housing starts.

"Last year was a very good year," notes William Hatch, president of the association. "Even the industry was surprised."

At the association's annual meeting in early 1988, Hatch said that although 1987 was a record year, "1988 isn't going to measure up. There will be a pretty dramatic swing, with volume down perhaps 10 to 15%," he predicted.

M. H. Gunther, chairman of the Council of Forest Industries of British Columbia (COFI), notes that "the conversion of the 15% tax on lumber exports to the U.S. into higher provincial charges against the industry and dramatically increased reforestation and forest management costs have placed heavier burdens on B.C. forest companies. The arbitrary removal of timber harvesting rights also resulted in increased costs.

"The cumulative financial impact of these changes is enormous," he wrote in COFI's 1987 annual report. "Policy changes combined with the lumber export tax rolled into higher stumpage charges will cost the industry C$800 million in 1988, up from C$230 million in 1986."

Consumption, 1978-1987 (billion bd ft)

Total Hardwood Production	Total Hardwood Consumption	Total Lumber Production	Total Lumber Consumption
8.728	9.033	40.785	51.673
9.069	9.320	40.501	49.928
8.860	8.893	35.106	42.725
7.147	7.831	31.823	39.895
7.668	7.679	31.455	38.852
8.556	8.568	38.262	48.310
9.865	9.627	41.039	52.484
8.866	9.411	40.187	53.654
10.024	10.109	45.297	57.602
11.026	10.762	48.936	61.061

Source: National Forest Products Assn.

FI's annual survey

Gathering production figures from the leading lumber producers in North America is an annual rite of spring for the FOREST INDUSTRIES editorial staff. We mail questionnaires in March to lumber producers in the U.S. and Canada; a second questionnaire is sent out a few weeks later to non-respondents. Major producers (those producing more than 20 million bd ft) that fail to answer either mailing are contacted by telephone.

In this year's survey, we gathered 1987 production figures from 800 companies, representing more than 1450 mills. The production figures we have gathered account for 80% of all lumber produced in North America last year.

TABLE 3—Top 20 lumber producers, U.S. and Canada

(All lumber production figures given in 1000 bd ft)
(Companies ranked according to data received by FOREST INDUSTRIES)

Company, headquarters, & number of mills in 1987	Rank in 1986	'87 Hardwood	'87 Softwood	'87 Total	'86 Total
1. Weyerhaeuser Co. (32 mills) Tacoma, Wash.	1	165,000	2,974,000	3,139,000	2,568,000
2. Louisiana-Pacific Corp. (62) Portland, Ore.	2	12,000	2,628,000	2,640,000	2,529,000
3. Georgia-Pacific Corp. (41) Atlanta, Ga.	3	178,000	1,778,000	1,956,000	1,783,674
4. British Columbia Forest Products Ltd. (12) Vancouver, B.C.	8	0	1,346,385	1,346,385	959,201
5. Canfor Corp. (9) Vancouver, B.C.	5	0	1,203,900	1,203,900	989,600
6. West Fraser Mills Ltd. (6) Vancouver, B.C.	4	0	1,095,295	1,095,295	1,086,688
7. International Paper Co. (12) Dallas, Texas	7	0	1,081,804	1,081,804	817,904
8. MacMillan Bloedel Ltd. (10) Vancouver, B.C.	11	0	1,059,000	1,059,000	841,000
9. Boise Cascade Corp. (16) Boise, Idaho	10	23,304	896,517	919,821	843,548
10. WTD Industries Inc. (19) Portland, Ore.	15	33,900	863,200	897,100	549,170
11. Champion International Corp. (13) Stamford, Conn.	6	0	891,625	891,625	844,214
12. Sierra Pacific Industries (9) Redding, Calif.	12	0	890,000	890,000	722,000
13. Weldwood of Canada Ltd. (7) Vancouver, B.C.	9	0	818,000	818,000	678,000
14. Northwood Pulp & Timber Ltd. (5) Prince George, B.C.	22	0	741,028	741,028	461,695
15. RSG Forest Products Inc. (6) Kalama, Wash.	20	0	728,616	728,616	474,637
16. Westar Timber Ltd. (5) Vancouver, B.C.	13	0	653,000	653,000	640,626
17. International Forest Products Ltd. (7) Vancouver, B.C.	14	0	652,000	652,000	600,000
18. Roseburg Forest Products Co. (5) Roseburg, Ore.	18	0	600,000	600,000	500,000
19. Pope & Talbot Inc. (5) Portland, Ore.	21	0	596,087	596,087	462,011
20. Simpson Timber Co. (6) Shelton, Wash.	19	0	593,717	593,717	509,795

The entire list of 800 companies—ranked in order of production and, for the first time, with production figures mill-by-mill as well as corporate totals—will be included in the *1988-89 North American Factbook*, a completely revised reference book published by FOREST INDUSTRIES. The book will be available in September. (For details, see p. 40, or contact Corinne Shulman at 415/397-1881.)

Top 20 producers

Table 3 shows the top 20 North American lumber producers. Twelve are from the U.S., eight are from Canada. Collectively these giants produce 22.5 billion bd ft—30% of the total volume produced in the two countries.

There are no newcomers to this year's list. All of these companies have been on this list before—most of them several times. Only Northwood Pulp & Timber Ltd. and Pope & Talbot Inc. weren't part of last year's Top 20 (they were ranked 22nd and 21st last year, respectively).

A few notes on the leaders:

- Champion International Corp. figures do not include production of Weldwood of Canada Ltd., in which Champion holds a majority interest. However, figures from Weldwood (number 13 on our list) include production from its five wholly owned mills, plus two joint ventures (Babine Forest Products Co. and Houston Forest Products Co.).
- For those of you who don't recognize International Forest Products Ltd. in Vancouver, B.C., that's the new name for Whonnock Industries Ltd.
- Two of the fastest-growing lumber producers continued to grow in 1987: WTD Industries Inc. of Portland, Ore., and RSG Forest Products Inc. of Kalama, Wash. WTD was ranked 73rd in 1983, 55th in 1984, 31st in 1985, 15th in 1986 and now 10th in 1987. RSG moved from 35th place in 1985 to 20th in 1986 and is ranked 15th in this year's survey.
- There will be a new name on the list next year: Fletcher Challenge Canada Ltd. Five years after making its first move into North America, Fletcher Challenge Ltd. of New Zealand has become one of the largest lumber producers by merging its wholly owned Crown Forest Industries Ltd. and B.C. Forest Products Ltd., in which it holds a 69% stake. The new name is to be approved at a BCFP shareholders meeting Sept. 2. Crown Forest produced 463 million bd ft in 1987. ■

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